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XIWANG SPECIAL STEEL COMPANY LIMITED
西王特鋼有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1266)

SUPPLEMENTAL ANNOUNCEMENT
(I) MATERIAL DIFFERENCES BETWEEN
THE FINANCIAL INFORMATION IN
THE UNAUDITED RESULTS ANNOUNCEMENT AND
AUDITED RESULTS ANNOUNCEMENT; AND
(II) ANNUAL GENERAL MEETING AND
CLOSURE OF REGISTER OF MEMBERS

References are made to (i) an announcement of Xiwang Special Steel Company Limited (the “**Company**”) dated 31 March 2020 in relation to the unaudited annual results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2019 (the “**Unaudited Results Announcement**”); (ii) an announcement of the Company dated 9 June 2020 in relation to the annual results of the Group for the year ended 31 December 2019 (the “**Audited Results Announcement**”); and (iii) an announcement of the Company dated 2 June 2020 in relation to, among others, delay of annual general meeting and change of date of book closure period (the “**Update Announcement**”). Capitalised terms used herein, unless otherwise defined, shall have the same meanings as those defined in the Audited Results Announcements.

MATERIAL DIFFERENCES BETWEEN THE FINANCIAL
INFORMATION IN THE UNAUDITED RESULTS ANNOUNCEMENT
AND AUDITED RESULTS ANNOUNCEMENT

Since the financial information contained in the Unaudited Results Announcement was neither audited nor agreed with the Group’s auditors, Ernst & Young, as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the Unaudited Results Announcement and Audited Results Announcement of the Group.

Set forth below are principal details and reasons for the differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Unaudited RMB'000	Audited RMB'000	Difference RMB'000	Note
REVENUE	11,161,126	11,170,040	8,914	<i>a</i>
Cost of sales	<u>(10,454,467)</u>	<u>(10,464,603)</u>	(10,136)	<i>b</i>
Gross profit	706,659	705,437	(1,222)	
Other income and gains	92,281	89,790	(2,491)	<i>c</i>
Selling and distribution expenses	(9,818)	(9,802)	16	<i>d</i>
Administrative expenses	(85,122)	(85,233)	(111)	<i>e</i>
Impairment loss on financial assets, net	(401)	(401)	–	
Other expenses	(47,706)	(43,040)	4,666	<i>f</i>
Research and development costs	(301,060)	(301,060)	–	
Finance costs	<u>(324,880)</u>	<u>(322,672)</u>	2,208	<i>g</i>
PROFIT BEFORE TAX	29,953	33,019	3,066	
Income tax expenses	<u>(12,221)</u>	<u>(13,230)</u>	(1,009)	<i>h</i>
PROFIT FOR THE YEAR	<u>17,732</u>	<u>19,789</u>	2,057	
Profit attributable to owners of the parent	<u>17,732</u>	<u>19,789</u>	2,057	
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic	<u>RMB0.78 cents</u>	<u>RMB0.87 cents</u>		
Diluted	<u>RMB0.78 cents</u>	<u>Not Applicable</u>		

Notes:

- (a) The difference in revenue of RMB8,914,000 was mainly due to adjustments in relation to certain late adjustment on revenue recognition of trading of commodities.
- (b) The difference in cost of sales of RMB10,136,000 was mainly due to certain late adjustment on cost of sales recognition.
- (c) The difference in other income and gains of RMB2,491,000 was mainly due to certain late adjustments on bank interest income, gross rental income and other income.
- (d) The difference in selling and distribution expenses of RMB16,000 was mainly due to certain late adjustments on selling and distribution expense.
- (e) The difference in administrative expenses of RMB111,000 was mainly due to certain late adjustment on administrative expenses.
- (f) The difference in other expenses of RMB4,666,000 was mainly due to certain latest adjustment on other expenses.
- (g) The difference in finance costs of RMB2,208,000 was mainly due to certain late adjustments on interest on bank loans, overdrafts and other loans.
- (h) The difference in income tax expense of RMB1,009,000 was mainly due to the tax effect abovementioned adjustments.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	Unaudited RMB'000	Audited RMB'000	Difference RMB'000	Note
PROFIT FOR THE YEAR	<u>17,732</u>	<u>19,789</u>	2,057	
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange differences on translation of foreign operations	<u>2,790</u>	<u>2,790</u>	–	
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:				
Equity investments at fair value through other comprehensive income:				
– Changes in fair value	(4,311)	(4,311)	–	
– Income tax effect	<u>647</u>	<u>647</u>	–	
	(3,664)	(3,664)	–	
Debt investments at fair value through other comprehensive income:				
– Changes in fair value	(5,656)	(5,811)	(155)	<i>i</i>
– Income tax effect	<u>848</u>	<u>848</u>	–	
	(4,808)	(4,963)	(155)	
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>(5,682)</u>	<u>(5,837)</u>	(155)	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>12,050</u>	<u>13,952</u>	1,902	

Notes:

- (i) The difference in changes in fair value through other comprehensive income of RMB155,000 was due certain late adjustments on bills receivables.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2019

	Unaudited RMB'000	Audited RMB'000	Difference RMB'000	Note
NON-CURRENT ASSETS				
Property, plant and equipment	9,920,510	9,920,510	–	
Right-of-use assets	92,655	92,655	–	
Prepayments for long term assets	284,648	284,648	–	
Other intangible assets	76,059	76,059	–	
Equity investments designated at fair value through other comprehensive income	83,282	83,282	–	
Deferred tax assets	13,843	14,801	958	<i>j</i>
	<hr/>	<hr/>		
Total non-current assets	10,470,997	10,471,955	958	
CURRENT ASSETS				
Inventories	350,363	346,738	(3,625)	<i>k</i>
Trade and bills receivables	527,066	536,932	9,866	<i>l</i>
Prepayments, other receivables and other assets	991,430	994,195	2,765	<i>m</i>
Pledged deposits	901,497	901,498	1	<i>n</i>
Cash and cash equivalents	193,850	193,849	(1)	<i>n</i>
	<hr/>	<hr/>		
Total current assets	2,964,206	2,973,212	9,006	
CURRENT LIABILITIES				
Trade and bills payables	1,513,555	1,522,933	9,378	<i>o</i>
Other payables and accruals	771,354	768,124	(3,230)	<i>p</i>
Contract liabilities	1,179,761	1,179,761	–	
Dividend payables	–	290,369	290,369	<i>q</i>
Lease liabilities	736	736	–	
Interest-bearing bank and other borrowings	3,318,930	3,318,930	–	
Borrowings from ultimate holding company	1,594	1,594	–	
Income tax payable	26,084	27,964	1,880	<i>r</i>
	<hr/>	<hr/>		
Total current liabilities	6,812,014	7,110,411	298,397	
NET CURRENT LIABILITIES	<hr/>	<hr/>	289,391	
	(3,847,808)	(4,137,199)		
TOTAL ASSETS LESS CURRENT LIABILITIES	<hr/>	<hr/>	288,433	
	6,623,189	6,334,756		

	Unaudited RMB'000	Audited RMB'000	Difference RMB'000	Note
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	418,974	418,974	–	
Lease liabilities	90	90	–	
Deferred tax liabilities	33,507	33,542	35	s
Other long term payable	161,000	161,000	–	
	<u>613,571</u>	<u>613,606</u>	35	
Total non-current liabilities				
	<u>6,009,618</u>	<u>5,721,150</u>	288,468	
Net assets				
	<u>6,009,618</u>	<u>5,721,150</u>	288,468	
EQUITY				
Equity attributable to owners of the parent				
Share capital	1,369,681	1,369,681	–	
Reserves	4,639,937	4,351,469	288,468	t
	<u>6,009,618</u>	<u>5,721,150</u>	288,468	
Total equity				
	<u>6,009,618</u>	<u>5,721,150</u>	288,468	

Notes:

- (j) The difference in deferred tax assets of RMB958,000 was mainly due to the deferred tax effect of the abovementioned adjustments.
- (k) The difference in inventories of RMB3,625,000 was mainly due to certain late adjustments on raw materials, work in progress and finished goods.
- (l) The difference in trade and bills receivables of RMB9,866,000 was mainly due to certain late adjustment in relation to revenue recognition and bills receivables.
- (m) The difference in prepayments, other receivables and other assets of RMB2,765,000 was mainly due to certain late adjustments on prepayments, bank interest receivables and VAT recoverable.
- (n) The difference in pledged deposits and cash and cash equivalents of RMB1,000 is due to rounding differences.
- (o) The difference in trade and bills payables of RMB9,378,000 was mainly due to certain late adjustments on cost of sales recognition.
- (p) The difference in other payables and accruals of RMB3,230,000 was mainly due to certain late adjustments on salaries and welfare payables, construction and equipment payables and other payables.
- (q) The difference in dividend payables of RMB290,369,000 was mainly due to certain late adjustments on dividend payables.
- (r) The difference in income tax payable of RMB1,880,000 was mainly due to abovementioned adjustments in relation to income tax expenses.
- (s) The difference in deferred tax liabilities of RMB35,000 was mainly due to abovementioned adjustments in relation to deferred tax expenses.
- (t) The difference in reserves of RMB288,468,000 was mainly due to dividend payable of RMB290,369,000 offset by abovementioned adjustments in relation to increase in profit for the year.

ANNUAL GENERAL MEETING

As disclosed in the Update Announcement, the Board has decided to reschedule the annual general meeting initially scheduled to be held on 12 June 2020.

The rescheduled AGM will be held on 30 June 2020. For details, please refer to the notice of the AGM which will be published and dispatched to the shareholders of the Company as soon as practicable in accordance with the Company's articles of association and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

As disclosed in the Update Announcement, the Board has decided to cancel the book closure period for the purposes of ascertaining shareholders' entitlement to attend and vote at the AGM, which was initially scheduled to be closed from 9 June 2020 to 12 June 2020 (both days inclusive).

For the purposes of ascertaining shareholders' entitlement to attend and vote at the AGM to be held on 30 June 2020, register of members in respect of ordinary shares of the Company will be closed from 24 June 2020 to 30 June 2020 (both days inclusive), during which no transfer of shares of the Company may be registered. In order to be eligible to attend and vote at the forthcoming AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 23 June 2020.

By order of the Board of
Xiwang Special Steel Company Limited
WANG Di
Chairman

Hong Kong, 9 June 2020

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors

Mr. ZHANG Jian
Mr. SUN Xihu
Ms. LI Hai Xia

Independent non-executive Directors

Mr. LEUNG Shu Sun Sunny
Mr. LI Bangguang
Mr. YU Kou

Non-executive Director

Mr. WANG Di